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DE RUEHWR #0393/01 0881258
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R 281258Z MAR 08
FM AMEMBASSY WARSAW
TO RUEHC/SECSTATE WASHDC 6200
INFO RUCNMEM/EU MEMBER STATES
RUEHKW/AMCONSUL KRAKOW 2048
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 03 WARSAW 000393

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STATE FOR EUR/NCE LLOCHMAN, BPUTNEY

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [ENRG](#) [SENV](#) [EU](#) [PL](#)

SUBJECT: CODEL BOUCHER'S MEETINGS WITH POLISH MINISTRIES OF
ECONOMY AND ENVIRONMENT

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11. (U) Summary: On March 20, a visiting delegation of six U.S. Members of Congress met with Rafal Baniak, Under Secretary in the Polish Ministry of Economy, and with

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Minister of Environment Maciej Nowicki. Given Poland's heavy dependence on coal, the Polish government is scrambling to respond to the European Union's "3x20" objectives. Polish policy will focus on energy saving, diversification, modernization of power plants, introducing devices to control SO2, NOx and particulate matter, and introduction of clean coal solutions. Polish scientists are researching coal gasification, and the Polish government is working to identify potential CO2 storage sites, as well as drafting a national conservation strategy for industry, housing and transport. Currently, Poland is allocating emissions permits based on benchmarks for a given industry's efficiency. It has serious concerns about the potential economic effect of EU proposals for the period 2013-2020. End summary.

12. (U) Congressman Rick Boucher led the delegation, which included Representatives Fred Upton, Tammy Baldwin, Albert Wynn, Nick Rahall and Dan Lungren. They were accompanied by Under Secretary Bud Albright, from the Department of Energy, and Marty McGuinness from the Office of White House Legislative Affairs.

Ministry of Economy

13. (U) At the Ministry of Economy, Under Secretary Baniak stated that Poland has the largest coal reserves in Europe. Ninety percent of Poland's electricity comes from coal -- 58 percent from hard coal and 36 percent from brown coal. Congressman Boucher noted that the United States is also dependent on coal for energy generation. The United States has enough coal reserves to last 200-250 years. While the U.S. is importing natural gas, and the amount will climb, gas is not available in sufficient quantity to replace coal. The United States has a long-term commitment to coal, but the Congress is also developing a policy of mandatory controls on emissions. Rep. Boucher stated that the United States needs a policy on carbon separation and emissions sequestration, and to support federal research and development to perfect the technologies. He noted the current focus is on carbon separation, including integrated gasification, a chilled ammonia application and combustion technology. He noted that these three technologies are competing for market share, and

should be available commercially within three to five years. He added that sequestration presents a greater challenge. Work is being done to identify storage media for CO2 and then "characterize" it -- map it out, pressurize it with CO2, and then monitor for five to eight years to ensure the site's integrity and that there is no leakage of CO2. Congressman Upton stated that U.S. energy needs will grow by 40 percent by 2040, and demand will exceed generation within 12 years. Yet, in 2007, no new sites for coal generation were started in the United States. Investors in the U.S. are all waiting for clean coal technology to come online before building new coal sites. Under Secretary Albright noted that the Bush Administration is committed to the issue, and has spent USD 37 billion on climate change.

14. (U) Under Secretary Baniak noted that last year the EU agreed to "3x20" objectives: reduce emissions by 20% (30% if an international agreement is reached); reduce energy use by 20%, and achieve 20% of renewable energy in its energy supply. Poland is now working to incorporate clean coal into its energy policy. Poland is trying to identify possible sequestration sites. However, at this time the Polish government has no funds to do so, although it is hoping for support from the European Commission. Poland wants big Polish companies in the pilot program the EU is preparing. Under Secretary Baniak explained that Polish entrepreneurs have announced four large projects, and Polish scientists are trying to perfect traditional methods of gasification, and are also working on underground gasification. The Polish government is also interested in possible synergies between coal and nuclear power. For example, one could have a single complex that included nuclear energy, a petrochemical plant and a clean coal plant. Under Secretary Baniak saw developing such a facility as a 15-year project, with five years needed to get to the testing phase, and costs still unknown.

Ministry of Environment

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15. (U) At the Ministry of Environment, Minister Nowicki stated that Poland was heavily polluted in 1989, accounting for 10-12 percent of Europe's SO2 and particulate matter. Today, SO2 is 38 percent of 1989 levels, particulate matter is 23 percent of 1989 levels and NO2 is 63 percent of 1989 levels. (NO2 levels shrunk less because of an increase in the number of cars in Poland). Greenhouse gas emissions are only 65% of 1988 levels, but GDP is 159% of what it was in 1988 so the economy has grown while the environment has become cleaner.

16. (U) Minister Nowicki explained that Polish policy to 2020 will focus on: energy saving; diversification; modernization of power plants; introducing devices to reduce SO2, NOx and particulate matter; and introduction of clean coal solutions. The government is preparing a national strategy for conservation in industry, housing and transport. Regarding diversification, the most promising sources of renewable energy are wind power and biomass (especially use of waste food and straw as a local energy source). Minister Nowicki expects a boom in windfarming in northern Poland. He noted that Spanish and Danish firms are eager to invest in Poland. The problem will be transmission, because existing lines could not handle the amount of power expected to be generated. Poland has little geothermal potential because its thermal water is less than 100 degrees, which is enough for heating, but not sufficient to generate energy. Poland has some natural gas deposits, but because of high nitrogen content it can not be put in pipelines, although it can be used locally. Looking further ahead, Minister Nowicki stated, "For me, solar will become the main source of energy in the world."

¶17. (U) Minister Nowicki stated that 50% of Poland's power plants are more than 20 years old, and will need to be replaced in the next 10-15 years. He reiterated Poland's interest in gasification of coal, stating that current high oil prices make this a good time to invest in gasification and liquid coal fuel. He stated that the United States has the most experience with coal-bed methane, which Minister Nowicki had wanted to introduce to Poland at the beginning of the 1990s, but this was blocked by the opposition of coal miners. Poland is conducting an inventory of possible storage sites for CO₂, but Nowicki believed it will be hard to find enough suitable locations, and stated that coal mines are not good storage sites because of the soil structure.

¶18. (U) Representative Boucher asked about Poland's experience allocating emissions permits. Minister Nowicki replied that for 2008-2012 Poland had wanted permits for 288 million tons of emissions, but received only 208.5 million. Polish industry could have gotten by with 250 million tons, but if the economy continues to develop at the current pace, in four or five years they will need 280 million tons. The shortfall in permits is thus a serious problem. The former PiS-led government had proposed across-the-board cuts. Minister Nowicki, in contrast, pushed a system based on benchmarks for a given industry's efficiency. He noted, for example, that the cement industry already had invested heavily in modernization. Because there are few emissions savings left for the industry to squeeze out, if the industry got fewer permits its only option would be to produce less. The gap in the market would be filled by less-efficient producers in Ukraine and Belarus, resulting in a net global rise in CO₂. Minister Nowicki stated that the situation will be much tougher in 2013-2020, when the European Commission has proposed that there be no free allowances and that all allowances be purchased at auction beginning in 2015. He said that if a permit to emit 100 tons costs EUR30, that would add up to EUR4-5 billion/year, leading to a 50-70 percent rise in energy costs. Given this prospect, Poland is working to change the European Commission's approach.

¶19. (U) Congressman Upton asked about conservation measures. Minister Nowicki replied that Communist-era buildings were heat-inefficient, with little insulation. He stated that with remedial treatment it is possible to reduce the energy consumption of such buildings by 77 percent. He stated that further savings are possible by insulating transmission lines. Representative Rahall asked whether the political will to change exists in Poland. Minister Nowicki noted that energy had been very cheap under the Communists, and that mentality was hard to change. He cited the Climate Change conference in Poznan in December as a chance to raise public awareness.

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¶10. (U) The delegation did not have the opportunity to clear this cable before departing Poland.
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